

Legislative Council Panel on Commerce and Industry

Consultancy Report on Demand and Supply of Exhibition Facilities and on Trade Development Council's Proposed Atrium Link Extension to the Hong Kong Convention and Exhibition Centre

Purpose

This paper briefs Members on the findings of a consultancy study commissioned by the Administration on the demand and supply of exhibition facilities in Hong Kong in the next five to ten years and the related issue of the Trade Development Council (TDC)'s proposal to extend the atrium link of the Hong Kong Convention and Exhibition Centre (HKCEC), as well as the economic implications of meeting or not meeting the projected demand.

Background

2. TDC had planned to expand HKCEC with a Phase III development that was tied to the originally planned Wanchai reclamation. With the Government's decision to re-consider the original reclamation plan and related developments for this area, there is uncertainty as to whether or not the proposed Phase III development may fit into the revised planning concepts for this area. In view of this, in September 2004, TDC submitted a proposal to the Administration for an extension of the atrium link between Phases I and II of the HKCEC to provide additional exhibition space of 19,400 square metres.

3. The policy of the Government on further expansion of the HKCEC is that it will consider the question of support only if it is satisfied that there will be unmet demand taking into account, inter alia, the additional 100,000 m² exhibition space to be provided by AsiaWorld-Expo (AWE) and the timing of its availability, and that government support is fully justified for the good of the economy. Due regard will also be given to the Government's interest as a shareholder in AWE and to the private sector's investment.

4. At the meeting of Legislative Council Panel on Commerce and Industry on 19 October 2004, we informed Members that to facilitate our consideration of the TDC's atrium link extension proposal, the Administration would conduct a consultancy study to ascertain, amongst other things, the overall supply and demand for exhibition facilities in Hong Kong in the coming five to ten years. Following an open competitive process, we appointed Crow Maunsell Management Consultants Ltd in association with Ogden IFC Pty Ltd and GHK (HK) Ltd as our consultants.

Consultancy's Findings

5. The study has now been completed. The consultants recommend that the Government gives policy support to the TDC's atrium link extension proposal as the additional exhibition space would help to meet projected unmet demand for exhibition facilities over the next five to ten years. The consultants consider the additional exhibition space would remove the current space constraint encountered by a number of existing large trade shows conducted at the HKCEC and allow them to expand further. In addition, the additional exhibition space will offer the means for Hong Kong to attract more trade exhibitions and conventions which require a central business district location. These benefits will entrench Hong Kong's status as an international exhibition and convention destination and bring substantial economic benefits for Hong Kong. The executive summary of the consultancy study is at *Annex*.

Follow-up Action

6. We are examining the consultancy study's findings and recommendation. We are also actively considering TDC's proposed atrium link extension against the consultancy's findings and other relevant factors such as transport implications.

EXECUTIVE SUMMARY

INTRODUCTION

Consultancy Team

- 1) The Consultancy Team for this Study was led by Crow Maunsell Management Consultants Ltd, a Hong Kong based management consultancy specialising in providing services to Government and the private sector in respect of institutional arrangements, regulatory systems and Government policy with a particular focus on the built environment. Crow Maunsell's team includes Ogden IFC Pty Ltd and GHK (HK) Ltd. Ogden IFC is a leading venue management and consulting firm in the Asia Pacific region. GHK includes economists and management consultants and is well versed in local and regional business practices and economies.

Background to the Study

- 2) The Hong Kong Convention and Exhibition Centre (HKCEC) was opened in 1988 and was Asia's first fully integrated, purpose-built exhibition facility. In 1997, the Hong Kong Trade Development Council (HKTDC) extended the HKCEC and more than doubled its capacity through development of an additional, interconnected facility on a new reclamation immediately to the north of the original site. The HKCEC currently comprises 5 separate exhibition halls of around 46,200 sq. m. and caters for around 140,000 visitors per day.
- 3) HKTDC has submitted to Government its Atrium Proposal¹ for further extension of the HKCEC. This extension will provide around 19,400 sq. m. of exhibition space – equivalent to a 42% increase in currently available exhibition space and provide for around 1,000 new exhibition booths.

Scope and Objectives of the Study

- 4) This Study was commissioned to advise the Commerce, Industry and Technology Bureau in its consideration of the HKTDC's proposed extension and to assess and quantify any unmet demand for exhibition facilities over the coming 5-10 years, and to determine any economic implications of either meeting, or not meeting, any shortfall identified.
- 5) The Study has assessed: the overall supply of exhibition facilities both in Hong Kong as well as in the region; the overall demand for such facilities from existing and likely new events; as well as the likelihood of losing such events to places outside Hong Kong or being unable to attract new events into Hong Kong. It has also quantified the likely demand and supply projections for exhibition facilities and the economic implications for Hong Kong.

Recommendations

- 6) It is recommended that the Government supports the expansion to the HKCEC as outlined in the Atrium Proposal in order to meet the unmet demand for additional exhibition facilities needed to support the growth of the existing exhibitions at the HKCEC and provide the opportunity to secure further tradeshows and conventions that

¹ Hong Kong Trade Development Council, "No. 1 in the World - the Future of Hong Kong's Trade Fairs" September 2004.

require a Central Business District (CBD) location. This will also secure Hong Kong's status as an international convention and exhibition destination and also bring substantial economic benefits.

Summary of Key Findings Supporting Recommendations

- 7) There are a number of trade exhibitions at the HKCEC that require more than the 46,200 sq. m. of dedicated exhibition space currently available at HKCEC and some have grown to the point that they use all of the HKCEC's available space, including corridors and foyers where possible.
- 8) These trade exhibitions continue to attract international buyers and exhibitors and contribute significantly to the economy of Hong Kong.
- 9) The AsiaWorld-Expo venue (AW-E) is a new exhibition facility adjacent to the Hong Kong International Airport (HKIA). This facility is designed to cater for growth in the exhibition market, particularly including exhibitions that cannot be, or are not, currently accommodated at the HKCEC. The AW-E has secured a range of exhibitions for its first year of operation in 2006, including ITU Telecom World 2006, China Sourcing Fairs organised by Global Sources and six new events organised by HKTDC.
- 10) Exhibition organisers and exhibitors who are currently users of the HKCEC have expressed concerns at the out-of-town location of AW-E. AsiaWorld-Expo Management Ltd has clarified the various transport arrangements planned to address this concern. The Mass Transit Railway Corporation has committed to provide special train services utilising the Airport Express Line and these services would provide an attractive, convenient and affordable means of transport to and from the AW-E, with other transport services provided by ferries, coaches, public buses, taxis and private cars.
- 11) In addition to the existing hotel at the HKIA, there will be four new hotels opening on Lantau Island and directly accessible to the AW-E. The AW-E abuts the Sky Plaza Development which comprises a combination of retail, commercial and entertainment facilities which could include supporting services for the users of the AW-E.
- 12) Securing quality buyers is the key to a successful high-end trade exhibition and the buyers in particular who currently attend the international trade exhibitions at the HKCEC have become accustomed to the HKCEC's convenient CBD location that is close to hotels, business services, and other entertainment. The exhibition organisers and exhibitors consulted in this Study who are currently users of the HKCEC do not see the AW-E location as an alternative location for their established major international and regional trade exhibitions.
- 13) While the AW-E will not have the benefits of the downtown location, the perceived transportation issue is not considered by AsiaWorld-Expo Management to be a major one and may be largely offset by other strengths of the AW-E venue such as the expected efficient visitor flow (as a single storey venue), quick exhibitor fit-out, high floor loading capacity, as well as direct access via ferry to various points in the Pearl River Delta. It is therefore recognised that, in the longer term, the perception held by the industry should alter, provided that the AW-E can establish a successful track record of quality trade exhibitions.
- 14) The feasibility of HKTDC overcoming some of its peak demand shortfall by rearranging its exhibition calendar has been considered. It is important to note that the exhibition industry does not follow a simplistic supply and demand model, as the trade exhibition

market is quite seasonal and not fluid. It is therefore not possible to simply move events from a peak season to a low-demand period of the year.

- 15) Options for splitting the larger HKCEC exhibitions or transferring the large events to the AW-E were considered, but based on the poor history of these strategies in other venues and the strong desire of the key stakeholders to remain in a CBD location this is not considered a feasible alternative, and could actually result in a decline in the quality of exhibitions or an eventual loss of them from Hong Kong all together.
- 16) “Build it and they will come” has been the recent industry “catch-cry” around the world, with the recognition that a city will definitely miss out on events without a venue, even if a development is hard to justify on purely financial grounds. This building boom is now particularly evident in Mainland China, which has resulted in most major cities in Mainland China having built or currently planning a new exhibition centre, adding to the competition in the market place.
- 17) Hong Kong has an enviable position as an established international trade exhibition centre that continues to be the gateway to China. The substantial infrastructure, the ease of doing business and the level of contact with businesses in Mainland China have provided Hong Kong with a significant competitive advantage.
- 18) There is however, a growing competitive market, with the commercial development of business in Mainland China and easing of barriers. Mainland China as a place to visit and do business will open even further prior to and during the Beijing 2008 Olympic Games. Hong Kong must ensure that it can maintain its competitive position for the peak trade exhibitions in the face of this competition.
- 19) The proposed developments in Macau also provide a potential major competitor. It can be anticipated that they will target a very similar market to that of the HKCEC and strategies need to be in place to ensure that exhibition organisers, exhibitors and in particular buyers are not lured to these new facilities.
- 20) In order to meet the unmet demand for exhibition facilities, and to retain and grow the major international trade exhibitions currently at the HKCEC and thereby enable Hong Kong to maintain its position as the trade fair capital of Asia, the HKCEC should be expanded as proposed, providing an additional 19,400 sq. m. of exhibition space and delivering improved efficiencies.
- 21) As the purpose of the Atrium Proposal is primarily to accommodate the expansion of existing shows and capture new exhibitions requiring a CBD location, this expansion is not expected to have any significant impact on the business at the AW-E.
- 22) The forecast **increment** in the demand for the five years following the opening of the extended HKCEC is summarised in the following table:

	Year 1	Year 2	Year 3	Year 4	Year 5
Exhibitions					
Space Demand (sq.m.)	32,000	51,500	87,000	120,000	146,000
Exhibitions					
International Exhibitors	380	590	980	1,350	1,670
International Visitors	16,000	25,750	43,500	60,000	73,000
Conventions					
International Delegates	650	975	1,300	1,300	1,560

- 23) It is estimated that the economic impact resulting from the incremental demand will be as summarised in the following table:

	Year 1	Year 2	Year 3	Year 4	Year 5
Exhibitions					
Economic Impact (\$ '000)	168,346	268,253	451,090	621,979	760,158
Employment	461	735	1,236	1,704	2,083
Conventions					
Economic Impact (\$ '000)	7,927	11,891	15,854	15,854	17,585
Employment	22	33	43	43	48
Total Benefits					
Economic Impact (\$'000s)	176,273	280,143	466,944	637,833	777,743
Employment	483	768	1,279	1,747	2,131

- 24) The implication of **not** proceeding with the development described in the Atrium Proposal provides a further compelling justification for proceeding. Given the clear preference for high-end exhibitions to be held in a CBD location, restricting the size of the HKCEC to the existing facility will actually strangle the market as the HKCEC will have no options for capturing the unmet demand at peak times. In an increasingly competitive market, this will leave Hong Kong open to these peak events moving to alternative locations - probably either in Mainland China or at new venues under planning in Macau. The economic impact to Hong Kong of losing just one major exhibition is estimated to be of the order of \$407 million per annum, which is so great that, this factor alone would justify the expansion.
- 25) While not quantified in this Report, there are other important benefits that will accrue including the additional income arising from the consequential increase in trade-related activities that will be carried out in Hong Kong as a result of the holding of exhibitions. For instance, exhibitors will market their products to a wider range of buyers. Similarly, there will be greater activity in Hong Kong's functioning as a business hub.